



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 3/7/2005

GAIN Report Number: FR5018

France

Oilseeds and Products

Biodiesel Demand Boosts Rapeseed Production

2005

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Report Highlights:

Per a recent announcement of the Prime Minister, French biodiesel production capacity will be increased to almost 500,000 MT in 2005 and 950,000 MT in 2007. At the same time, German biodiesel production also is growing. Consequently, French rapeseed production is expected to increase by 5 percent in 2005. The growing European demand for non food rape oil will reduce the availability of rape oil for the food industry. In the next few years, there may be a new export opportunity for U.S. soybean oil to Europe for the food industry, provided that the product meets EU regulations on biotech source and content.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Paris [FR1]
[FR]

Table of Contents

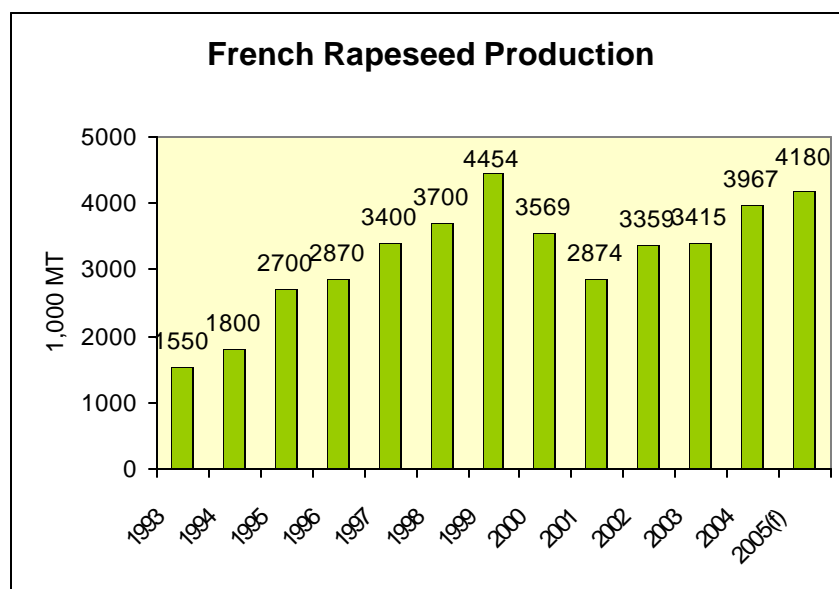
Executive Summary	3
Record Rapeseed Crop Expected in 2005	3
Rapeseed Production Boosted by Growing French Biodiesel Industry	3
Growing French Exports of Rapeseed and Rape Oil to Germany	3
Trade Opportunity for U.S. Vegetable Oil to France and Europe?	4

Executive Summary

In 2005, French rapeseed production is expected to increase by 5 percent, to meet the growing domestic and German demand for rape oil for processing biodiesel. French exports of both seeds and oil to Germany have significantly increased in the past few years as German biodiesel production capacity is growing. The GoF recently announced 30,000 additional MT of biodiesel officially approved to be produced in France in 2005 to almost 500,000 MT, and approved the French biodiesel production capacity at almost 950,000 MT in 2007. The European margarine industry expects this growing industrial use of rapeseed oil will strengthen by 2010, at the expense of food use. There may be an opportunity for U.S. exports of soybean oil to Europe, but with restrictive import measures in terms of biotech source and content.

Record Rapeseed Crop Expected in 2005

According to the French Ministry of Agriculture, French rapeseed acreage is expected to increase by 5 percent in 2005 from 2004. With a 5 percent increase, production would reach 4.18 million MT. This would be the second largest harvest after the 1999 production of 4.45 million MT.



Rapeseed Production Boosted by Growing French Biodiesel Industry

In February 2005, Prime Minister Raffarin announced that the additional 800,000 MT of biofuel production promised in September 2004 (see Paris report FR5002, dated January 10, 2005) will include 480,000 MT of biodiesel and 320,000 MT of bioethanol. These are official authorizations for biofuel production benefiting from tax cuts by 2007.

French MinAg announced that in 2005, the GoF official authorization will be for an additional production of 30,000 MT of biodiesel (in addition to the 467,500 MT approved for 2004) and 100,000 MT of bioethanol (doubling the 100,000 MT approved in 2004).

French production potential for biofuels will include the following (in MT):

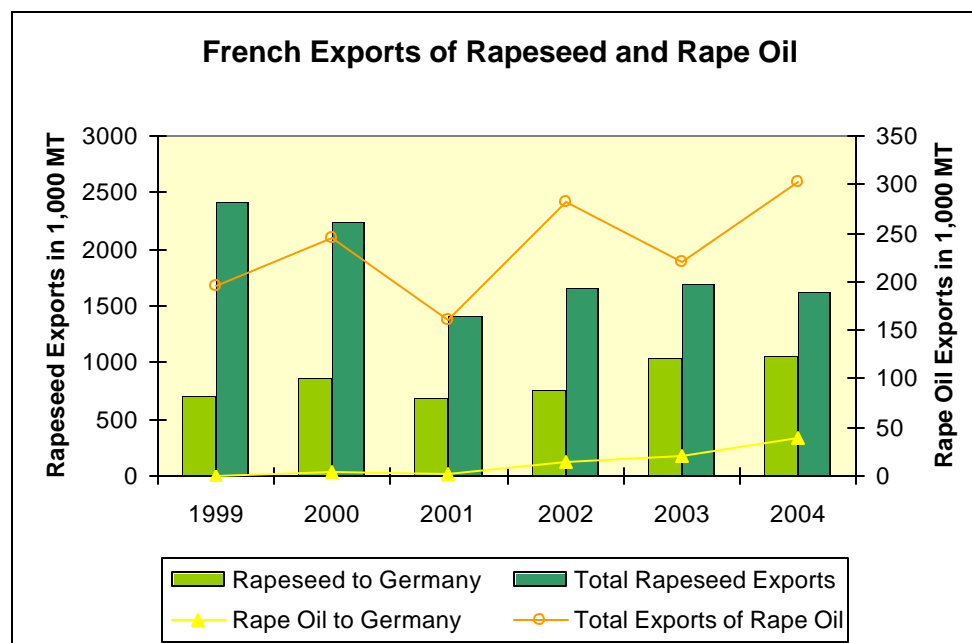
	Biodiesel	Bioethanol	Total Biofuels
2004	467,500	100,000	567,500
2005	497,500	200,000	697,500
2007	947,500	420,000	1,367,500

Most French farmer organizations (oilseeds, wheat, corn and sugarbeet growers) welcomed these measures. The French petrol company TOTAL, which purchases most of the biofuels produced in France (see Paris report FR3044, dated August 29, 2003) also welcomed the GoF measures. The French Union for Petrol Companies (UFIP) believes in biodiesel economic development, as increased domestic production of biodiesel reduces French trade deficit for diesel. France's largest supplier of diesel is Russia. By contrast, France has a trade surplus in gasoline (France's largest export market is the United States), to which bioethanol is mixed, and UFIP therefore sees less interest for developing bioethanol production in France.

Growing French Exports of Rapeseed and Rape Oil to Germany

French rapeseed production is also boosted by the growing biodiesel production capacity in Germany. Exports of rapeseed and rapeseed oil to Germany have increased significantly in the past few years because of the growing biodiesel production capacity in Germany (see Berlin report GM4048, dated November 22, 2004), as indicated in the graph below.

Germany is, by far, France's largest export market for rapeseed, with almost 66 percent market share in 2004. French exports of rape oil have grown from almost nil in 1999 to France's fourth export market in 2004, with 13 percent market share.



Trade Opportunity for U.S. Vegetable Oil to France and Europe?

The IMACE (International Margarine Association of the Countries of Europe) recently expressed its fears that their supply in rapeseed oil (across Europe, not just France) would

be negatively affected by the increased demand from the non-food industry. IMACE estimates that by 2010, the European biodiesel production would use the bulk of the rapeseed oil produced in the EU, while the rapeseed oil used by the food and feed industry would have to be imported. IMACE therefore recommends the ending fiscal incentives for biofuel development, facilitating imports of rapeseed oil into the EU, and increasing European production of rapeseed.

In these conditions, there may be an opportunity for U.S. soybean oil exports to France and other European countries for food use by 2010. However, the EU is expected to ask for maximum guarantees on the GM content and source of soybean oil, under the novel Food/Novel Feed and Traceability and Labeling regulations.